

Virginia Department of Mines, Minerals & Energy  
Virginia Gas and Oil Board

Minutes and results of hearing, August 21, 2007

Board members present (Quorum was established): Ms. Barber, Ms. Dye, Mr. Harris, Mr. Prather, Ms. Quillen, Mr. Wampler

1. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payments of royalties on Tract 1B, 1E, a portion of 1G and 1H, Unit W-35, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0324-0627-05. Continued from July.

Owners with conflicting claims to escrowed royalty funds have reached an agreement under Section 45.1-361.22.A(ii) allowing for distribution of funds attributable to their interests. Disbursement of funds was approved.

2. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536835, Kenady District, Dickenson County, Virginia. Docket Number VGOB-07-0717-1969. Continued from July.

In the VC-536835 58.77-acre unit, the applicant controls 100% of the coal and 93.4% of the gas interests, and seeks to pool the remaining 6.6% of the gas interests. Unleased gas acreage subject to pooling totals 3.9 net acres in four tracts having two unleased claimants. There are conflicting claimants subject to escrow. No application for permit to drill the unit has been submitted. Pooling was approved.

3. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536866, Kenady District, Dickenson County, Virginia. Docket Number VGOB-07-0717-1971. Continued from July.

In the VC-536866 58.77-acre unit, the applicant controls 100% of the coal and 61.5% of the gas interests, and seeks to pool the remaining 38.5% of the gas interests. Unleased gas acreage subject to pooling totals 22.6 net acres in five tracts having two unleased claimants. There are conflicting claimants subject to escrow. A permit to drill the unit was issued on 7/3/07. Pooling was approved.

4. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-537190, Lipps District, Wise County, Virginia. Docket Number VGOB-07-0717-1974. Continued from July.

In the VC-537190 58.77-acre unit, the applicant controls 100% of the coal and 98.9% of the gas interests, and seeks to pool the remaining 1.1% of the gas interests. Unleased gas acreage subject to pooling totals 0.6 net acres in two tracts having two unleased claimants. There are conflicting claimants subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

5. The Virginia Gas and Oil Board heard a petition from Clara R. Smith, Executrix of the Estate of James O. Smith for disbursement of funds from escrow and authorization of direct payments of royalties on Tract 4, Unit VC-504637, Kenady District, Dickenson, Virginia. Docket Number VGOB 01-1016-0968-01. Continued from July.

Owners with conflicting claims to escrowed royalty funds have reached an agreement under Section 45.1-361.22.A(ii) allowing for distribution of funds attributable to their interests. Disbursement of funds was approved.

6. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit D-13, South Grundy/North Grundy Districts, Buchanan County, Virginia. Docket Number VGOB-07-0821-1981.

In the D-13 80-acre unit, the applicant controls 84.9% of the coal and gas interests, and seeks to pool the remaining 15.1% of the interests. Unleased acreage subject to pooling totals 12.1 net acres in one tract having three unleased owners. There are no conflicting claimants subject to escrow. No application for permit to drill the unit has been submitted. Pooling was approved.

7. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit C-52, Garden District, Buchanan County, Virginia. Docket Number VGOB-07-0821-1982.

In the C-52 80-acre unit, the applicant controls 99.4% of the coal and gas interests, and seeks to pool the remaining 0.6 of the interests. Unleased acreage subject to pooling totals 0.5 net acres in one tract having one unleased and unknown owner. There are conflicting claimants and unknown owners subject to escrow. A permit to drill the unit was issued on 7/6/06. Pooling was approved.

8. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit M-41, Garden District, Buchanan County, Virginia. Docket Number VGOB-07-0821-1983.

In the M-41 80-acre unit, the applicant controls 99.9% of the coal and gas interests, and seeks to pool the remaining 0.1 of the interests. Unleased acreage subject to pooling totals 0.07 net acres in two tracts having five unleased owners. There are no conflicting claimants subject to escrow. A permit to drill the unit was issued on 8/2/07. Continued to September – may be a re-pool.

9. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit O(-1), Prater District, Buchanan County, Virginia. Docket Number VGOB-07-0821-1984.

In the O(-1) 80-acre unit, the applicant controls 95.6% of the coal and gas interests, and seeks to pool the remaining 4.4 of the interests. Unleased acreage subject to pooling totals 3.5 net acres in one tract having two unleased owners. There are no conflicting claimants subject to escrow. A permit to drill the unit was issued on 4/28/06. Pooling was approved.

10. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BH-107, New Garden District, Russell County, Virginia. Docket Number VGOB-07-0821-1986.

In the BH-107 58.74-acre unit, the applicant controls 98.5% of the coal and gas interests, and seeks to pool the remaining 1.5 of the interests. Unleased acreage subject to pooling totals 0.9 net acres in three tracts having 37 unleased owners. There are conflicting claimants and unknown owners subject to escrow. No application for permit to drill the unit has been submitted. Continued to September.

11. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit YYY-25, Garden District, Buchanan County, Virginia. Docket Number VGOB-07-0821-1987.

In the YYY-25 80-acre unit, the applicant controls 99.2% of the coal and gas interests, and seeks to pool the remaining 0.8 of the interests. Unleased acreage subject to pooling totals 0.6 net acres in two tracts having 10 unleased owners. There are no conflicting claimants subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

12. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-537965, Castlewood District, Russell County, Virginia. Docket Number VGOB-07-0821-1988.

In the VC-537965 58.77-acre unit, the applicant controls 100% of the coal and 98.4% of the gas interests, and seeks to pool the remaining 1.6% of the gas interests. Unleased gas acreage subject to pooling totals 1.0 net acres in one tracts having 24 unleased claimants. There are conflicting claimants subject to escrow. No application for permit to drill the unit has been submitted. Pooling was approved.

13. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536867, Kenady District, Dickenson County, Virginia. Docket Number VGOB-07-0821-1989.

In the VC-536867 58.77-acre unit, the applicant controls 100% of the coal and 86.3% of the gas interests, and seeks to pool the remaining 13.7% of the gas interests. Unleased gas acreage subject to pooling totals 8.1 net acres in two tracts having two unleased and unknown claimants. There are conflicting claimants and unknown owners subject to escrow. No application for permit to drill the unit has been submitted. Pooling was approved.

14. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-505214, Kenady District, Dickenson County, Virginia. Docket Number VGOB-07-0821-1990.

In the VC-505214 58.77-acre unit, the applicant controls 100% of the coal and 92.3% of the gas interests, and seeks to pool the remaining 7.7% of the gas interests. Unleased gas acreage subject to pooling totals 4.5 net acres in one tract having one unleased and unknown claimant. There are conflicting claimants and unknown owners subject to escrow. A permit to drill the unit was issued on 8/3/07. Pooling was approved.

15. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-537889, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-07-0821-1991.

In the VC-537889 58.77-acre unit, the applicant controls 100% of the coal and 98.3% of the gas interests, and seeks to pool the remaining 1.7% of the gas interests. Unleased gas acreage subject to pooling totals 1.0 net acres in one tract having one unleased claimants. There are conflicting claimants subject to escrow. No application for permit to drill the unit has been submitted. The application was withdrawn by applicant.

16. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for creation and pooling of conventional gas unit V-537535, Kenady District, Dickenson County, Virginia. Docket Number VGOB-07-0821-1992.

In the V-537535 112.69-acre conventional gas unit, the applicant controls 93.3% of the oil and gas interests, and seeks to pool the remaining 6.7% of the interests. Unleased acreage subject to pooling totals 7.5 net acres in three tracts having five unleased owners. There are no unlocated owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

17. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for creation and pooling of conventional gas unit V-537767, Castlewood District, Russell County, Virginia. Docket Number VGOB-07-0821-1993.

In the V-537767 112.69-acre conventional gas unit, the applicant controls 93.9% of the oil and gas interests, and seeks to pool the remaining 6.1% of the interests. Unleased acreage subject to pooling

totals 6.0 net acres in three tracts having 31 unleased owners. There are unlocated owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

18. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for creation and pooling of conventional gas unit V-536029, Lipps District, Wise County, Virginia. Docket Number VGOB-07-0821-1994.

In the V-536029 112.69-acre conventional gas unit, the applicant controls 99.0% of the oil and gas interests, and seeks to pool the remaining 1.0% of the interests. Unleased acreage subject to pooling totals 1.1 net acres in two tracts having two unleased owners. There are no unlocated owners subject to escrow. A permit to drill the unit was issued on 4/27/04. Pooling was approved.

19. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for a well location exception for proposed well V-536728, Sandlick District, Dickenson County, Virginia. Docket Number VGOB-07-0821-1995.

The applicant seeks an exception in order to drill a conventional well closer to an existing well than allowed under statewide spacing. The proposed well is to be 38 feet closer to existing Equitable gas well V-701913 than the 2500 feet mandated by spacing. The exception is needed to accommodate a surface owner. An application for permit to drill the unit has been submitted. The location exception was approved.

20. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for modification of Nora Coalbed Gas Field Rules to allow for drilling of an additional well in units BR-49, BS-47, BT-46, BT-47, BU-46, BU-49, BV-46, in the Kenady District, Dickenson County, Virginia. Docket Number VGOB-89-0126-0009-13.

The applicant seeks to modify a portion of the Nora Coalbed Field rules to allow for drilling of multiple wells in each 60-acre unit. The original field rule allows for one well per 60-acre unit. Several areas of the Nora Field have previously been approved for multiple wells. The field rule modification was approved.

21. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for modification of Nora Coalbed Gas Field Rules to allow for drilling of an additional well in units BJ-24, BK-21 to BK-24, BL-21 to BL-23, BM-21 to BM-23, BN-18 to BN-20, in the Kenady District, Dickenson County, Virginia. Docket Number VGOB-89-0126-0009-14.

The applicant seeks to modify a portion of the Nora Coalbed Field rules to allow for drilling of multiple wells in each 60-acre unit. The original field rule allows for one well per 60-acre unit. Several areas of the Nora Field have previously been approved for multiple wells. The field rule modification was approved.

22. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for modification of Nora Coalbed Gas Field Rules to allow for drilling of an additional well in units BQ-55, BQ-56, BR-55 to BR-60, BS-55 to BS-58, BT-55, BT-56, BU-56 in the Ervinton District, Dickenson County, Virginia. Docket Number VGOB-89-0126-0009-15.

The applicant seeks to modify a portion of the Nora Coalbed Field rules to allow for drilling of multiple wells in each 60-acre unit. The original field rule allows for one well per 60-acre unit. Several areas of the Nora Field have previously been approved for multiple wells. The field rule modification was approved.

23. The Virginia Gas and Oil Board heard a petition from Chesapeake Appalachia, LLC for creation and pooling of conventional gas unit 826381, Knox District, Buchanan County, Virginia. Docket Number VGOB-07-0821-1996.

In the 826381 112.69-acre conventional gas unit, the applicant controls 90.1% of the oil and gas interests, and seeks to pool the remaining 9.9% of the interests. Unleased acreage subject to pooling totals 11.2 net acres in seven tracts having 11 unleased owners. There are no unlocated owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

24. The Virginia Gas and Oil Board heard a petition from Chesapeake Appalachia, LLC for creation and pooling of conventional gas unit 826619, Knox District, Buchanan County, Virginia. Docket Number VGOB-07-0821-1997.

In the 826619 67.11-acre conventional gas unit, the applicant controls 99.4% of the oil and gas interests, and seeks to pool the remaining 0.6% of the interests. Unleased acreage subject to pooling totals 0.4 net acres in one tract that is leased to another operator. There are no unlocated owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

25. The Virginia Gas and Oil Board heard a petition from Chesapeake Appalachia, LLC for creation and pooling of conventional gas unit 826620, Knox District, Buchanan County, Virginia. Docket Number VGOB-07-0821-1998.

In the 826620 112.69-acre conventional gas unit, the applicant controls 77.1% of the oil and gas interests, and seeks to pool the remaining 22.9% of the interests. Unleased acreage subject to pooling totals 25.8 net acres in one tract that is leased to another operator. There are no unlocated owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

26. The Virginia Gas and Oil Board heard a petition from Chesapeake Appalachia, LLC for a well location exception for proposed well 826111, Prater District, Buchanan County, Virginia. Docket Number VGOB-07-0821-1999.

The applicant seeks an exception in order to drill a conventional well closer to an existing well than allowed under statewide spacing. The proposed well is to be 226 feet closer to existing Chesapeake gas well 25615 than the 2500 feet mandated by spacing. The exception is needed to avoid homes, mine operations and steep terrain. An application for permit to drill the unit has been submitted. The location exception was approved.

27. The Virginia Gas and Oil Board heard a petition from Daugherty Petroleum, Inc. for creation and pooling of conventional gas unit M. Hensley #1, Rose Hill District, Lee County, Virginia. Docket Number VGOB-07-0821-2000.

In the M. Hensley #1 112.69-acre conventional gas unit, the applicant controls 96.4% of the oil and gas interests, and seeks to pool the remaining 3.6% of the interests. Unleased acreage subject to pooling totals 4.03 net acres in two tracts having two unleased owners. There are no unlocated owners subject to escrow. An application for permit to modify the well for gas production has been submitted. Pooling was approved.

28. The Virginia Gas and Oil Board heard a petition from Daugherty Petroleum, Inc. for a well location exception for proposed well M. Hensley #1, Rose Hill District, Lee County, Virginia. Docket Number VGOB-07-0821-2001.

The applicant seeks an exception in order to convert an oil well to a conventional gas well which will be closer to an existing well than allowed under statewide spacing. The proposed well is to be 504 feet closer to existing Daugherty gas well 8708 than the 2500 feet mandated by spacing. The exception will allow the resource to be developed without drilling of additional wells. An application for permit to modify the well for gas production has been submitted. The location exception was approved.

29. The Virginia Gas and Oil Board heard a petition from Pine Mountain Oil & Gas for a well location exception for proposed well V-537913, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-07-0821-2002.

The applicant seeks an exception in order to drill a conventional well closer to two existing wells than allowed under statewide spacing. The proposed well is to be 70 feet closer to existing Equitable gas well V-3953, and 487 feet closer to existing Equitable gas well P-247 than the 2500 feet mandated by spacing. The exception is needed to prevent loss of resource. No application for permit to drill the unit has been submitted. Continued to October.

30. The Virginia Gas and Oil Board heard a petition from Pine Mountain Oil & Gas for a well location exception for proposed well V-530021, Kenady District, Dickenson County, Virginia. Docket Number VGOB-07-0821-2003.

The applicant seeks an exception in order to drill a conventional well closer to three existing wells than allowed under statewide spacing. The proposed well is to be 763 feet closer to existing Equitable gas well P-407, 917 feet closer to existing Equitable gas well P-163, and 1194 feet closer to existing Equitable gas well P-217 than the 2500 feet mandated by spacing. The exception is needed to prevent loss of resource. No application for permit to drill the unit has been submitted. The location exception was approved.

31. The Virginia Gas and Oil Board heard a petition from Pine Mountain Oil & Gas for a well location exception for proposed well V-530024, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-07-0821-2004.

The applicant seeks an exception in order to drill a conventional well closer to two existing wells than allowed under statewide spacing. The proposed well is to be 1304 feet closer to existing Equitable gas well P-18, and 1229 feet closer to existing Equitable gas well P-17 than the 2500 feet mandated by spacing. The exception is needed to prevent loss of resource. No application for permit to drill the unit has been submitted. The application was withdrawn by the applicant.

32. The Virginia Gas and Oil Board heard a petition from Pine Mountain Oil & Gas for a well location exception for proposed well V-530017, Kenady District, Dickenson County, Virginia. Docket Number VGOB-07-0821-2005.

The applicant seeks an exception in order to drill a conventional well closer to three existing wells than allowed under statewide spacing. The proposed well is to be 550 feet closer to existing Equitable gas well P-12, 1339 feet closer to existing Equitable gas well P-286, and 655 feet closer to existing Equitable gas well P-332 than the 2500 feet mandated by spacing. The exception is needed to prevent loss of resource. No application for permit to drill the unit has been submitted. The location exception was approved.

33. The Virginia Gas and Oil Board heard a petition from Pine Mountain Oil & Gas for a well location exception for proposed well V-530025, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-07-0821-2006.

The applicant seeks an exception in order to drill a conventional well closer to four existing wells than allowed under statewide spacing. The proposed well is to be 902 feet closer to existing Equitable gas well V-3953, 85 feet closer to existing Equitable gas well P-411, 1335 feet closer to existing Pine Mountain gas well 157, and 1348 feet closer to existing Equitable gas well P-338 than the 2500 feet mandated by spacing. The exception is needed to prevent loss of resource. No application for permit to drill the unit has been submitted. The location exception was approved.

34. The Virginia Gas and Oil Board heard a petition from Pine Mountain Oil & Gas for a well location exception for proposed well V-530022, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-07-0821-2007.

The applicant seeks an exception in order to drill a conventional well closer to three existing wells than allowed under statewide spacing. The proposed well is to be 936 feet closer to existing Equitable gas well P-332, 980 feet closer to existing Equitable gas well P-196, and 1110 feet closer to existing Equitable gas well P-173 than the 2500 feet mandated by spacing. The exception is needed to prevent loss of resource. No application for permit to drill the unit has been submitted. The application was withdrawn by the applicant.

The Virginia Gas and Oil Board heard public comments regarding Board matters immediately following the final Docket item.

One person, Mr. John Sheffield, appeared. Mr. Sheffield informed the Board that he had not received correct notice of a hearing involving CNX Gas Company, LLC proposed unit VP8SGU3. Mr. Sheffield also presented evidence that the unit was producing gas prior to authorization by the Board. The Board instructed its Principle Executive to follow up and take appropriate action, including ordering CNX to appear before the Board in September to address allegations of production before authorization.

In other business, the Board decided to, on its own motion, place docket number 90-0419-0004 on the September docket to correct calculation of and re-authorize disbursement of escrowed funds. The Board also changed the date of the November hearing to November 13, 2007 to avoid conflict with the Thanksgiving holiday.

The deadline for filing of petitions to the Board for the September 2007 hearing is 5 p.m., Friday, August 17, 2007 with the hearing scheduled for 9 a.m. on Tuesday, September 18, 2007 at the Southwest Virginia Higher Education Center, Abingdon, Virginia.